

S E C R E T

DCI BRIEFING

16 May 1961

COMMUNIST CHINA

- I. The regime of Mao Tse-tung is passing through its most critical period.
 - A. Its present difficulties are the result of two consecutive years of bad harvests, overblown planning and poor direction from Peiping, and growing apathy among the peasants and workers.
 - 1. Also contributing has been the cooling in relations between Peiping and Moscow, which led to the damaging withdrawal of Soviet technicians last year.
 - 2. In addition the Soviets have seemed reluctant to extend the new aid needed to bail the Chinese out of current troubles.
 - B. Food is the most immediate and pressing of Mao's problems.
 - 1. Although some areas are better off than others, the average Chinese is now on a slow starvation diet.
 - 2. Diseases resulting from nutritional deficiencies--such as peripheral edema, beri-beri, and inflammation of the liver--have reached epidemic proportions in many areas.
 - 3. Infectious diseases like TB are also on the rise among the weakened population.
 - 4. The general picture is of a tired and hungry population which can no longer keep up its normal work.
 - C. The situation is so bad that the regime has been driven for the first time into Free World grain markets.

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1. Arrangements have already been made for China to buy some 10,000,000 tons of grain from Canada and Australia--half of which is to be delivered this year.
 2. Additional purchases are reportedly being negotiated.
 3. Costs so far have reached \$600,000,000.
 4. Short-term credits will help ease the resulting strain on Peiping's scarce foreign exchange, but expenditure of this amount on consumer goods is already cutting deeply into regime's industrial construction program.
 5. Willingness to accept this cut is a marked change in attitude by Mao, who has hitherto sacrificed all on altar of heavy industry.
- D. Politically, Mao is faced with most widespread discontent he has met since gaining power.
1. The iron discipline on which he relies so heavily is beginning to corrode.
 2. People are grumbling against the food shortages much more openly than would have been conceivable a year ago.
 3. Anti-regime slogans are appearing, and thievery--especially of food--is becoming common.
 4. Blackmarketing has become more open and corruption is spreading among local officials.
- D. The state of morale in the security forces and the army is not known, but presumably the regime is sparing no effort to retain their loyalty.

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- II. The outlook for the rest of the year is not bright for Peiping.
- A. The year's first major harvest, due to start next month, will not be good.
 - 1. The authorities are playing up the bad weather, in their continuing effort to absolve party policies of blame for a third straight winter wheat failure in a row.
 - B. The regime has ditched many of its faulty programs--e.g., both the leap forward and the commune system have for all practical purposes been abandoned for the present.
 - 1. But Mao faces a major task in rebuilding worker and peasant confidence, badly shaken by past failure.
 - C. Much depends on this year's late rice harvest; a poor crop would raise extremely grave problems for the regime and further shake its control mechanisms, although probably not to point where its continued control of China would be seriously threatened.
 - D. Peiping's current problems and dimming prospects are already tarnishing the image, sedulously propagated by Peiping among the world's underdeveloped countries, of a regime going places in a hurry under communism.

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